

# Senate Ways and Means Capital Budget Work Session



Senate Ways & Means Committee  
January 17, 2001

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# Capital Work Session Agenda

- **State Debt and Bonds**
- **Selected Budget Drivers for Capital Spending**
  - **Grants**
  - **K-12 Education**
  - **Natural Resources**
  - **Higher Education**
  - **Corrections**
- **Presentation of the Governor's 2001-03 Capital Budget**
- **Report on Legislative Building Renovation Project**

# Washington is a High Debt State

## INDICATORS OF DEBT CAPACITY (1999)\*

- 8<sup>th</sup> in Tax Supported Debt Per Capita
- 8<sup>th</sup> in Tax Supported Debt as Per Cent of Per Capita Personal Income
- 9<sup>th</sup> in total Tax Supported Debt (\$7.3 Billion)

## LEVELS OF SPENDING (1997-99)\*\*

- 7<sup>th</sup> in bond expenditures excluding Transportation bonds
- 4<sup>th</sup> in bond spending on Higher Education
- 6<sup>th</sup> in bond spending on Corrections
- 3<sup>rd</sup> in bond spending on housing and 7<sup>th</sup> in total state spending on housing
- 12<sup>th</sup> in bond spending for all other categories

\*Moody's Investment Research

\*\*National Association State Budget Officers

## **Features of the States Statutory 7% Debt Limit**

**Annual Debt Service cannot exceed 7% of 3-year average of General State Revenues**

**General State Revenues are about 85% of the State General Fund (State property tax and other sources are excluded)**

**Debt Service accounts for about 5% of State General Fund expenditures**

**State General Fund debt service in 2001-03 is expected to be \$1.2 Billion**

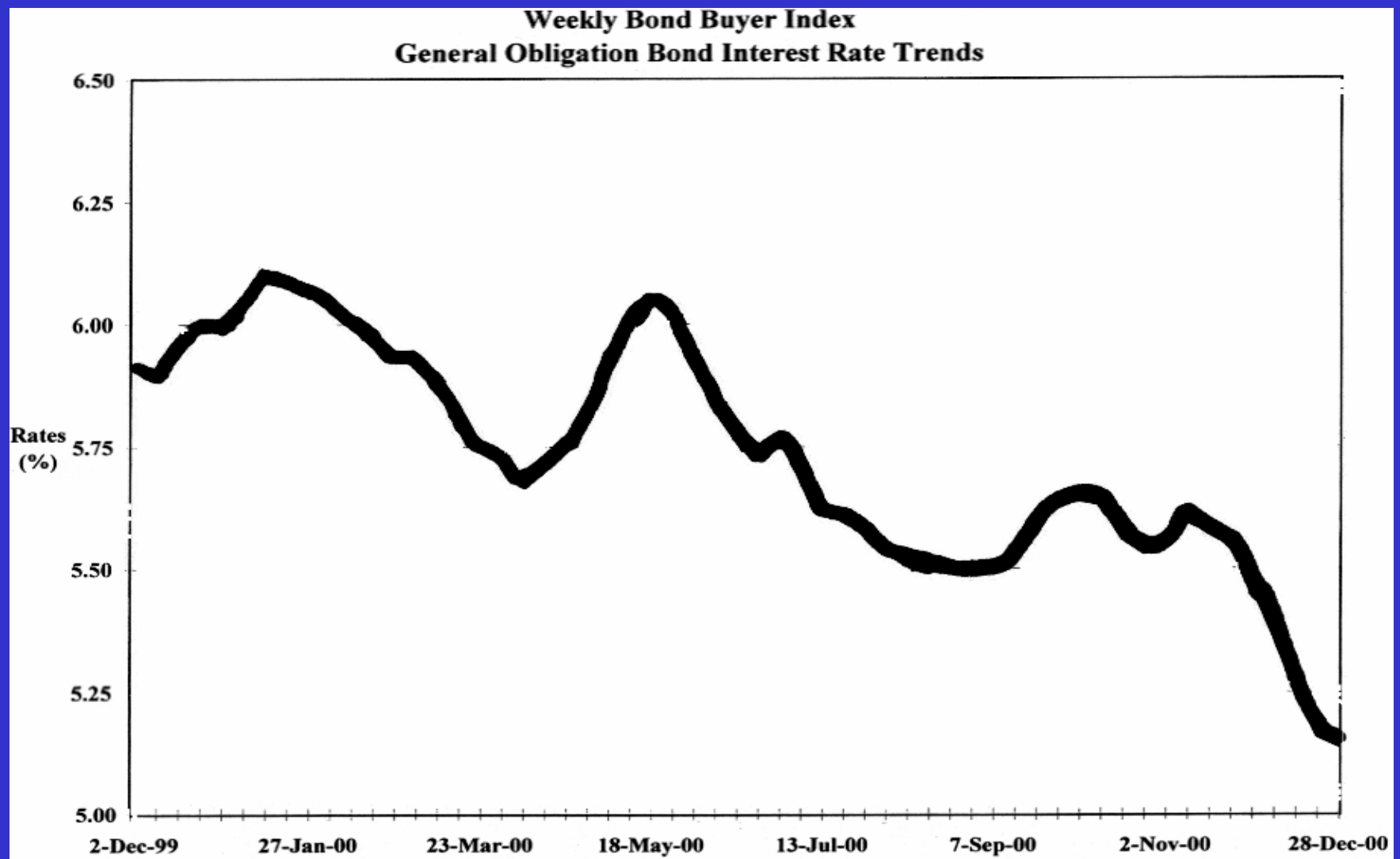
## **Determination of State Bonding Capacity**

- **Existing Indebtedness**
- **Revenue Growth**
- **Interest Rates Changes**
- **Rate of Expenditure (Bond Sales)**
- **Policy to maintain consistent Capital Program**

## Changes Since the 1999 Capital Plan

- **Interest rate assumptions**
  - **Rising rates replaced by falling rates**
- **Alternative Sources of Revenue**
  - **Education Construction Account changed by Initiative 728**
- **Changes in Budget Drivers and New Initiatives**

# Interest Rates Have Decreased in the Last 6-Months

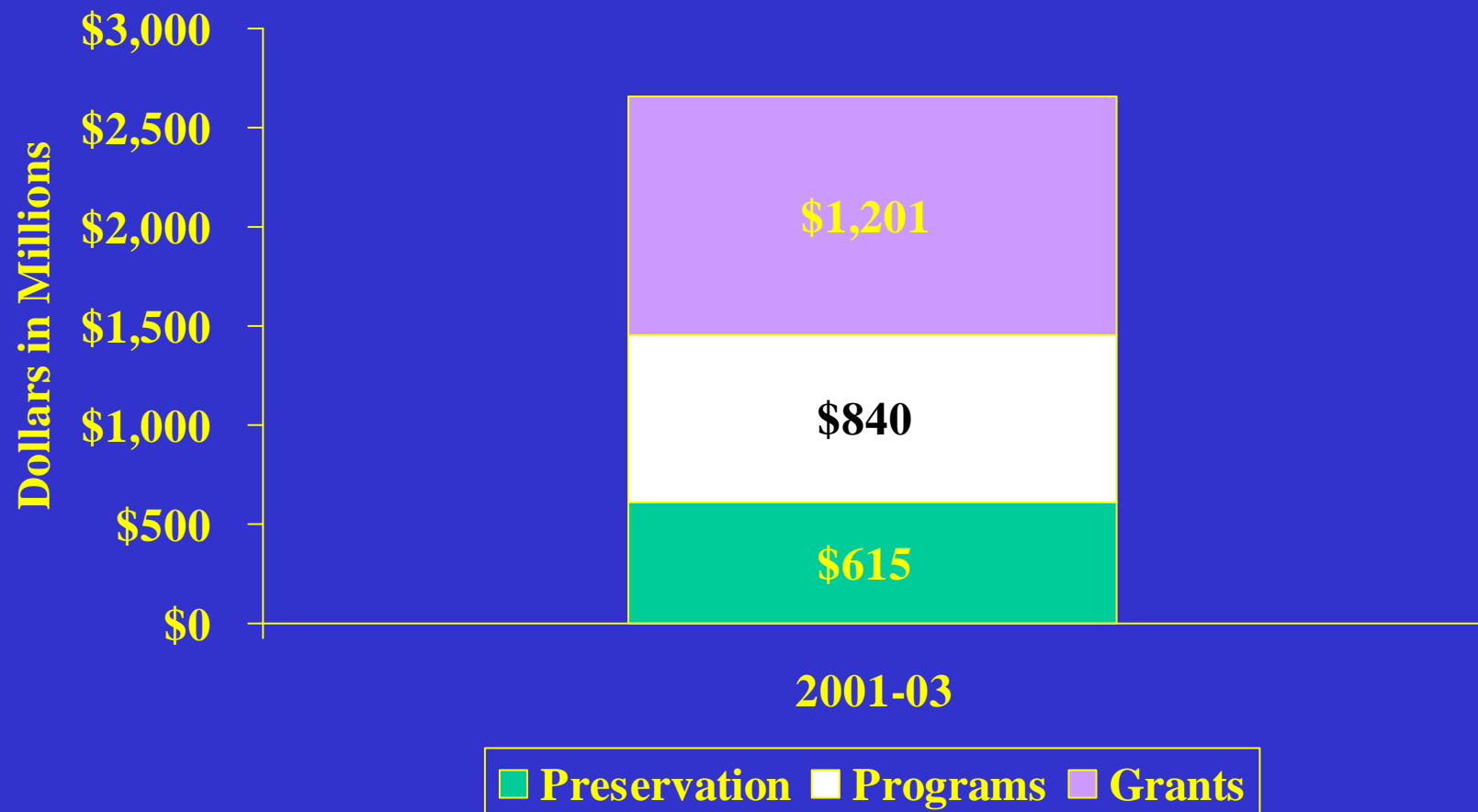


# **Major Components of State Capital Spending**

- **Grants**
- **K-12 Education**
- **Natural Resources**
- **Higher Education**
- **Corrections**

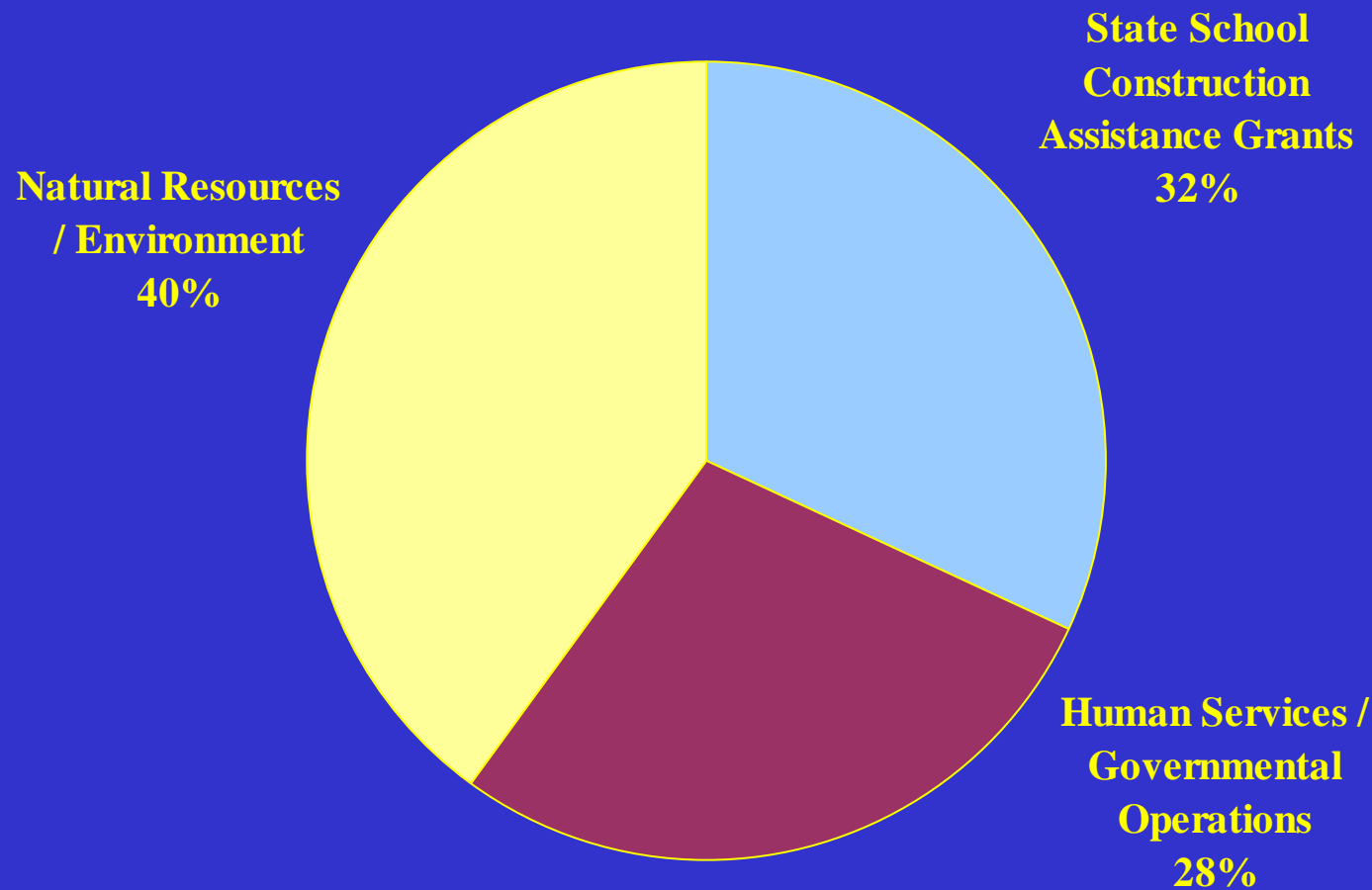


**Capital Expenditures have Traditionally been Described as Either Preservation or Program Related. For 2001-03 a New Descriptive Category of Grants Has Been Added**



# **Capital Grants are Provided for Local Government Infrastructure, Environmental and Recreational Projects and School Construction**

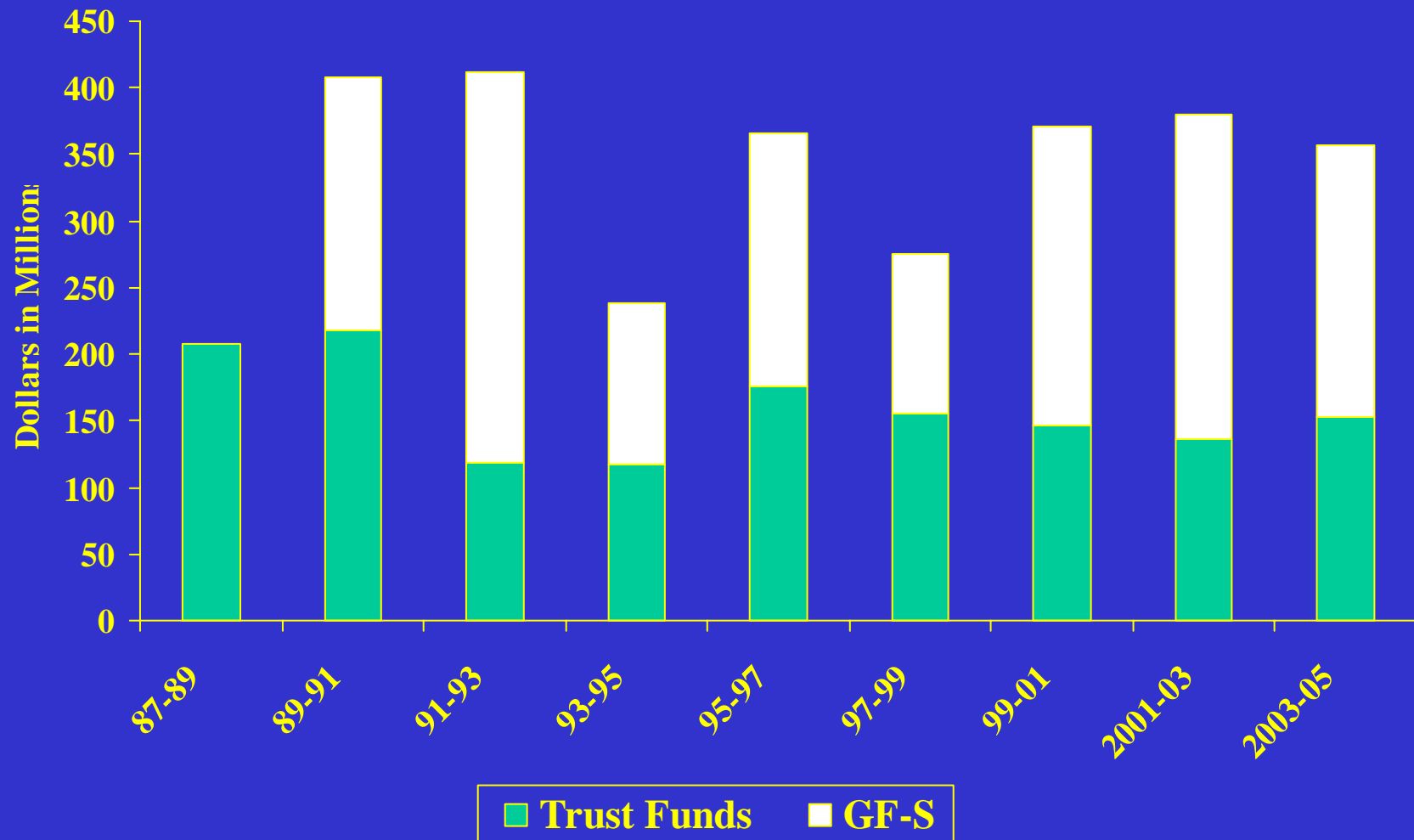
**(2001-03 Proposed Capital Budget = \$1.2 Billion in Grants)**



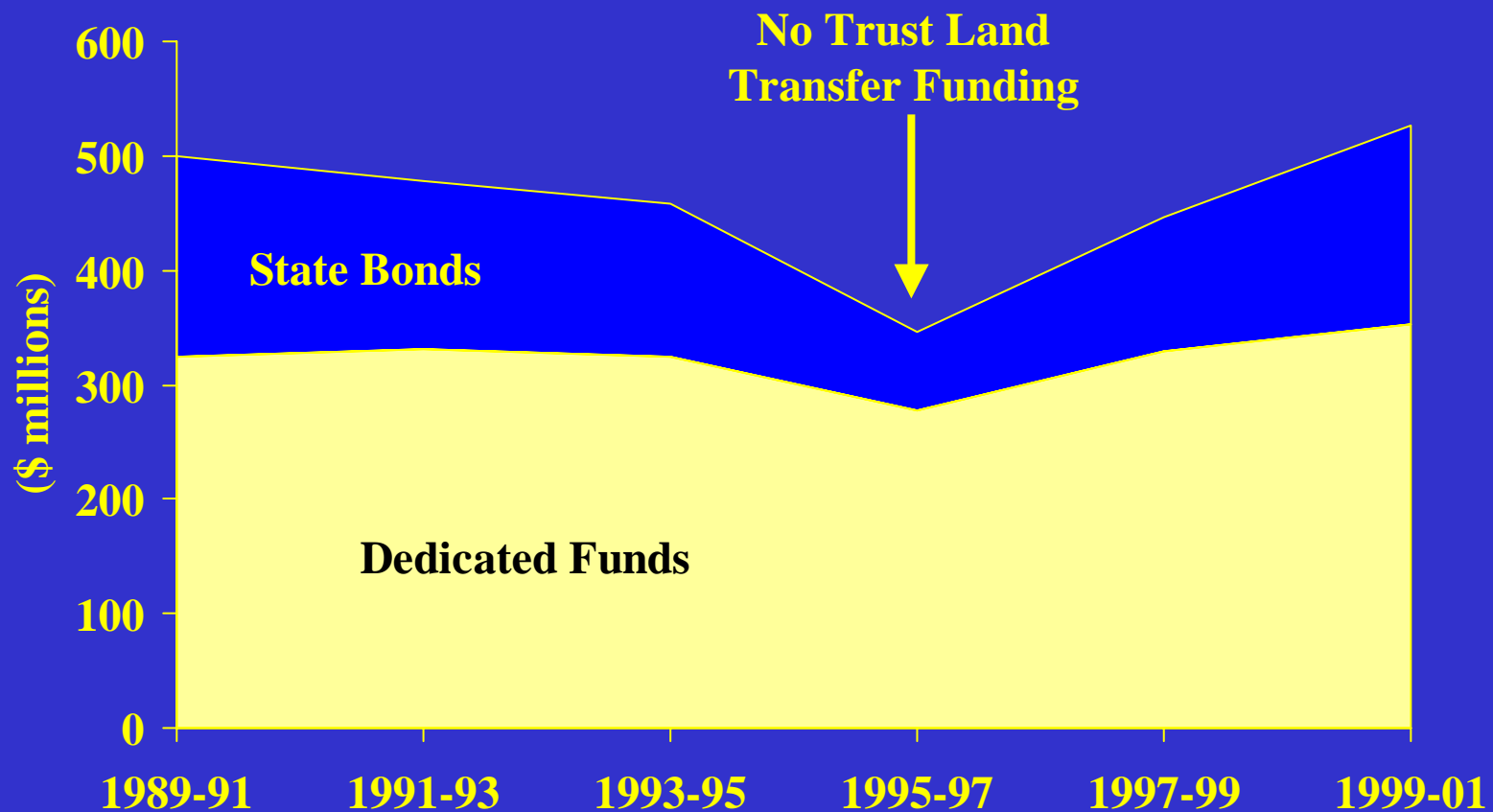
## **K-12 Capital Budget Drivers**

- **School District Enrollment Changes  
(Un-housed Students)**
- **Age of Facilities (Modernization)**
- **Rate of Local Bond Passage**

# State General Fund Resources are a Major Component of K-12 Construction Fund

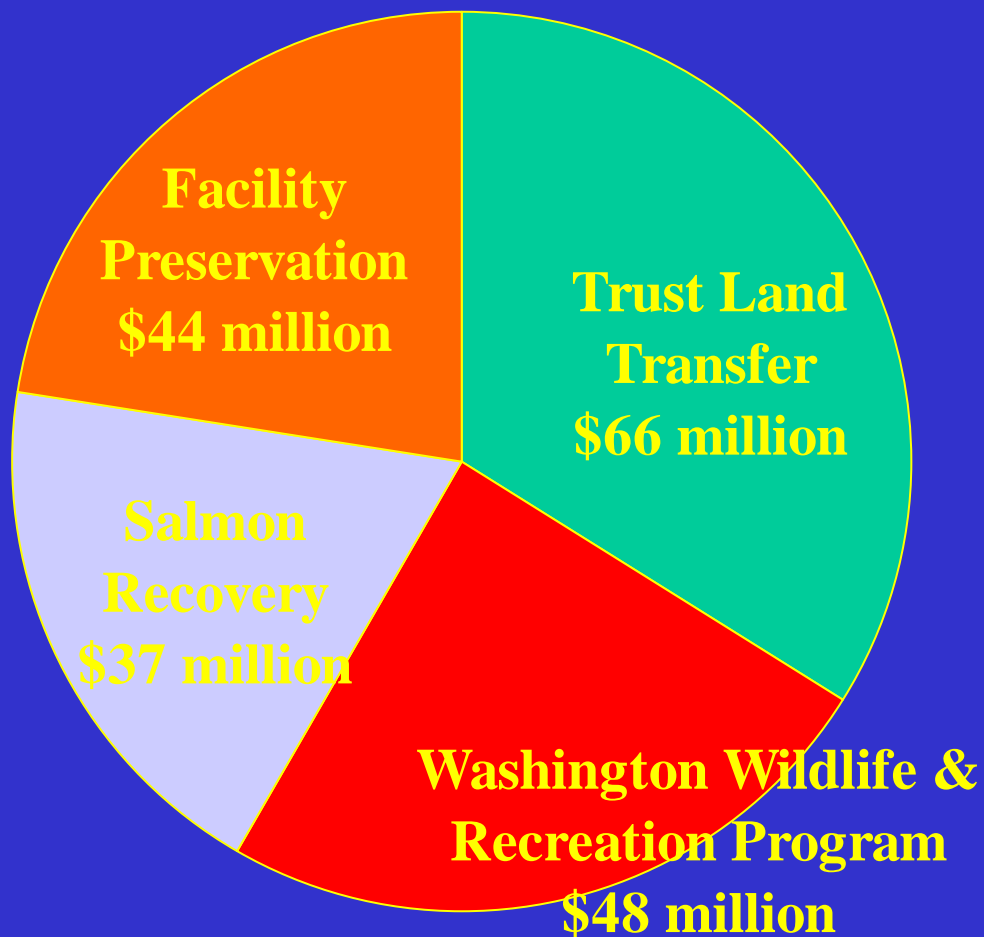


# Natural Resources Capital Budget Funding History is Stable



# **Major Bond-Supported Programs in Natural Resources**

**Total: \$195 Million**

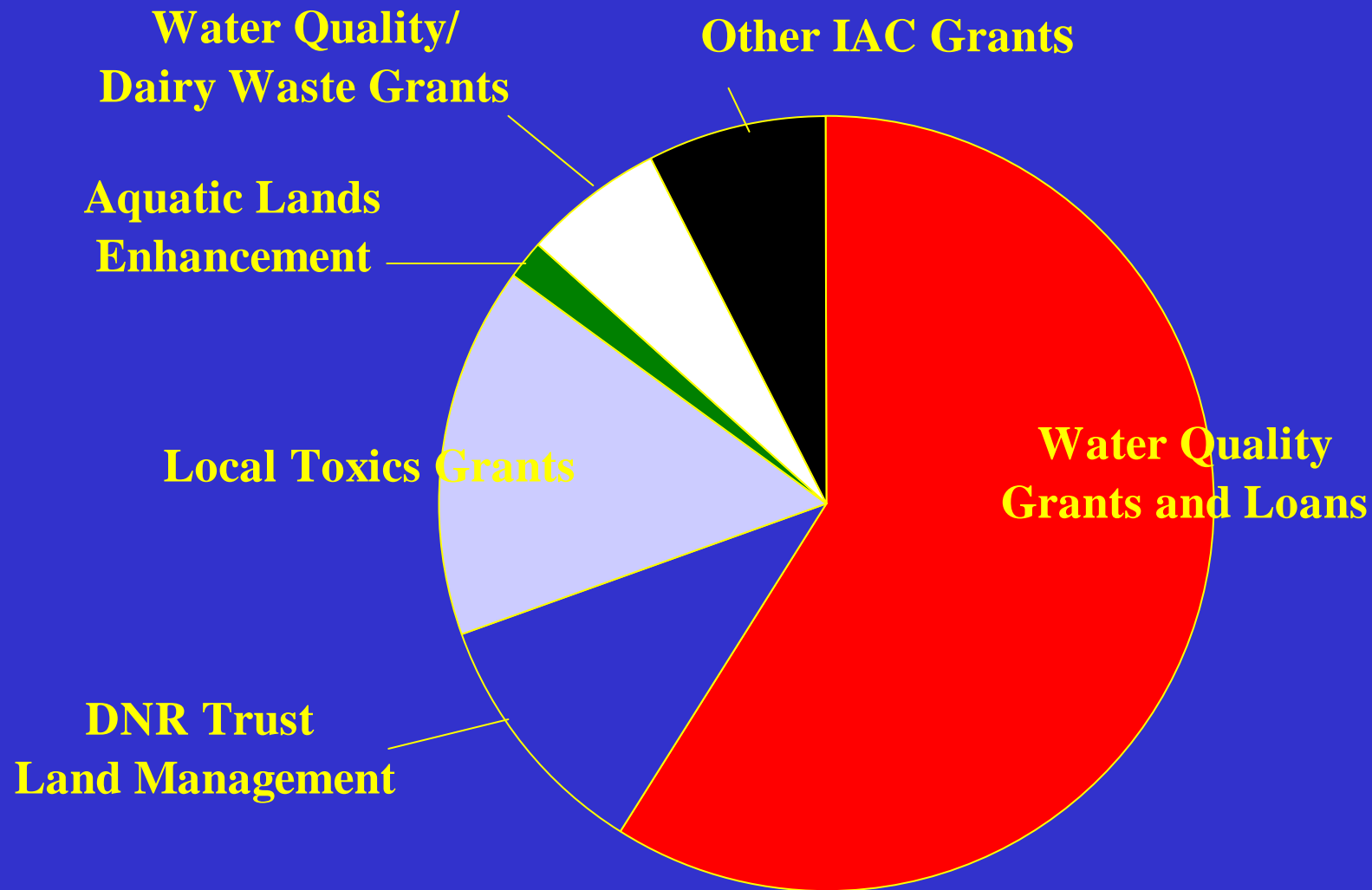


# Salmon Recovery Funding Board Activities

- **Funds:**
  - salmon habitat projects/activities from lists developed by “lead entities”
  - state agency programs
- **1999-01 funding:**
  - \$38 million state funds
  - \$55 million federal funds

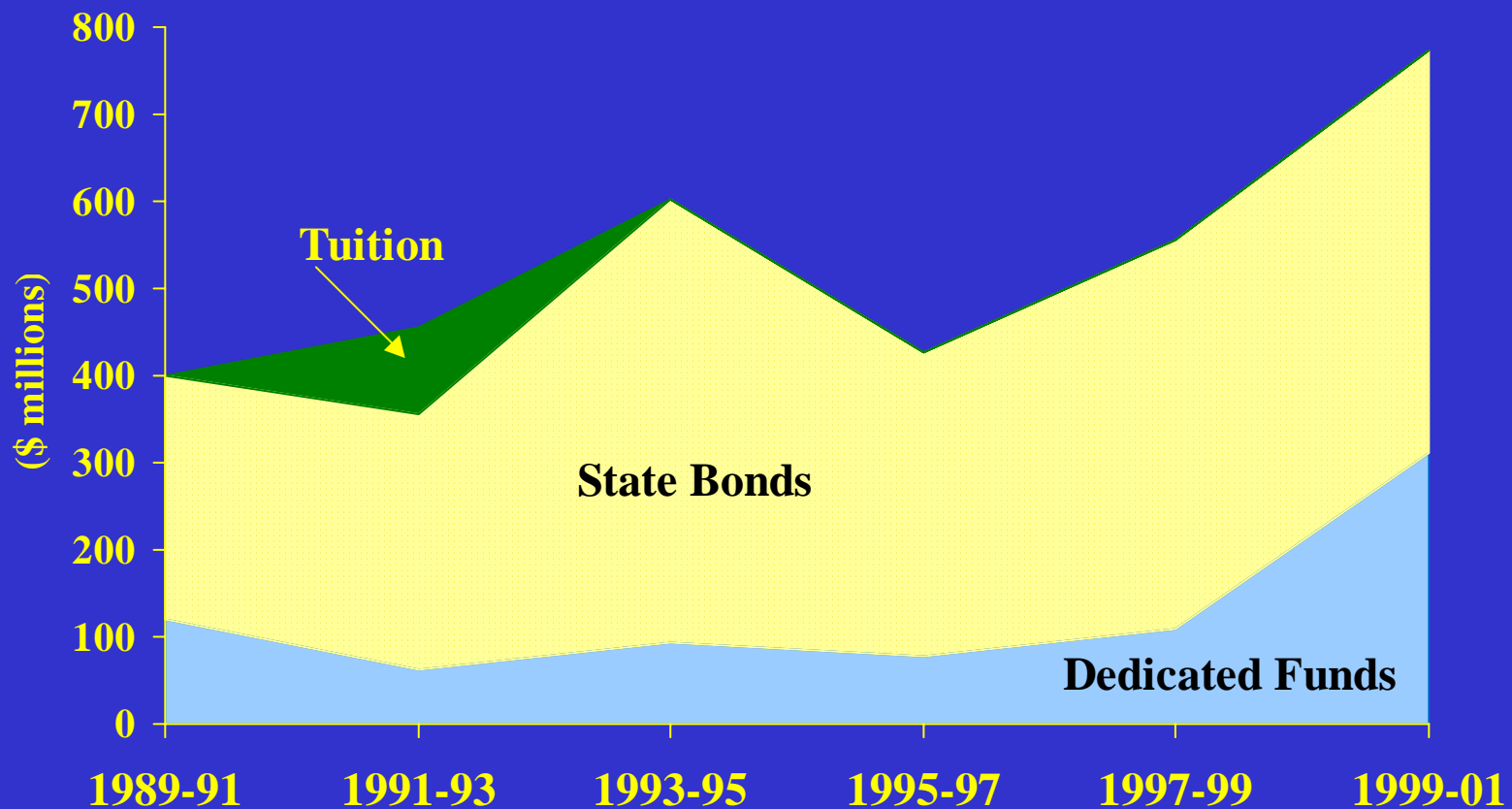
# Dedicated Fund-Supported Programs in Natural Resources

Total: \$329 million

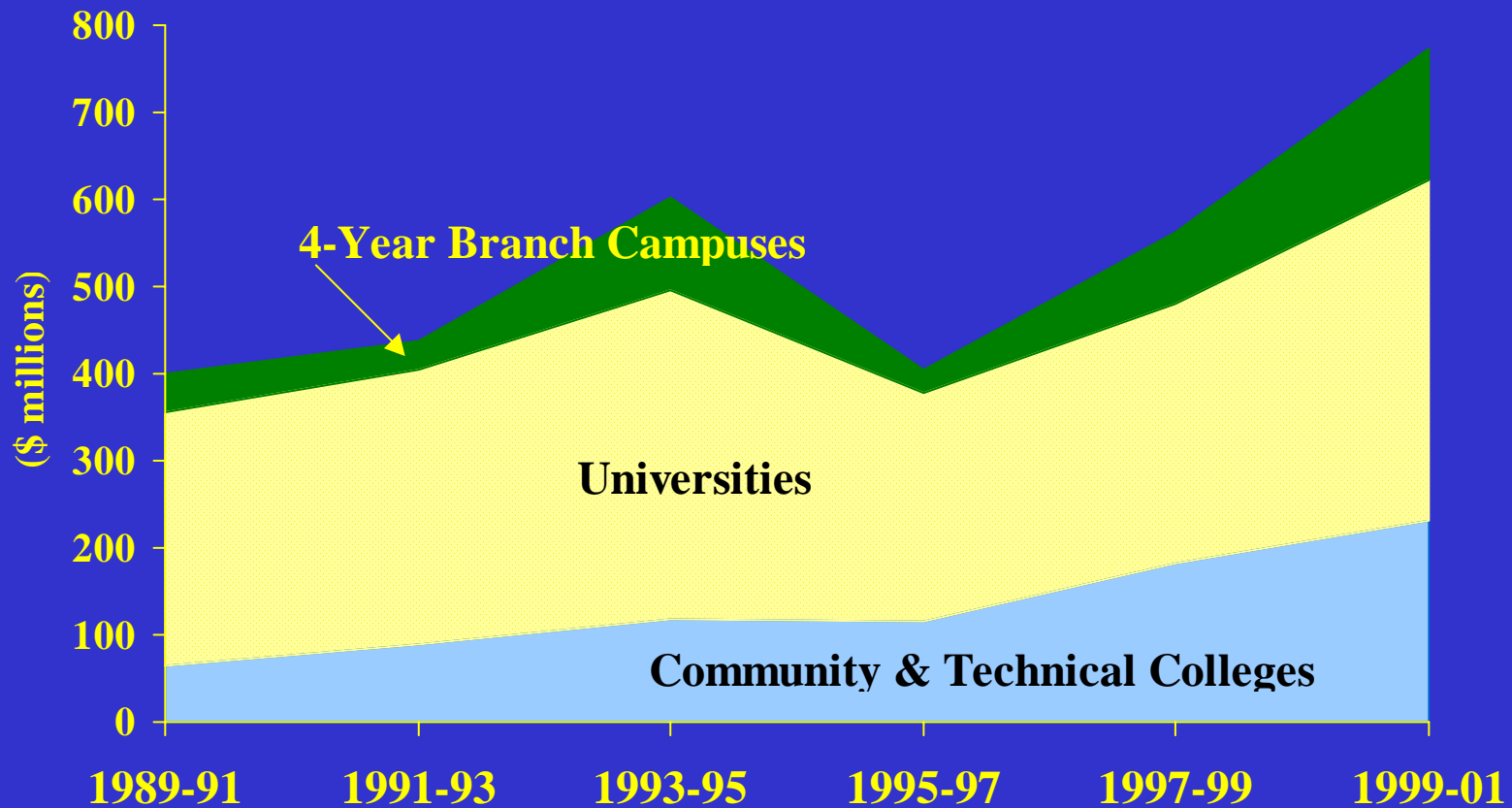




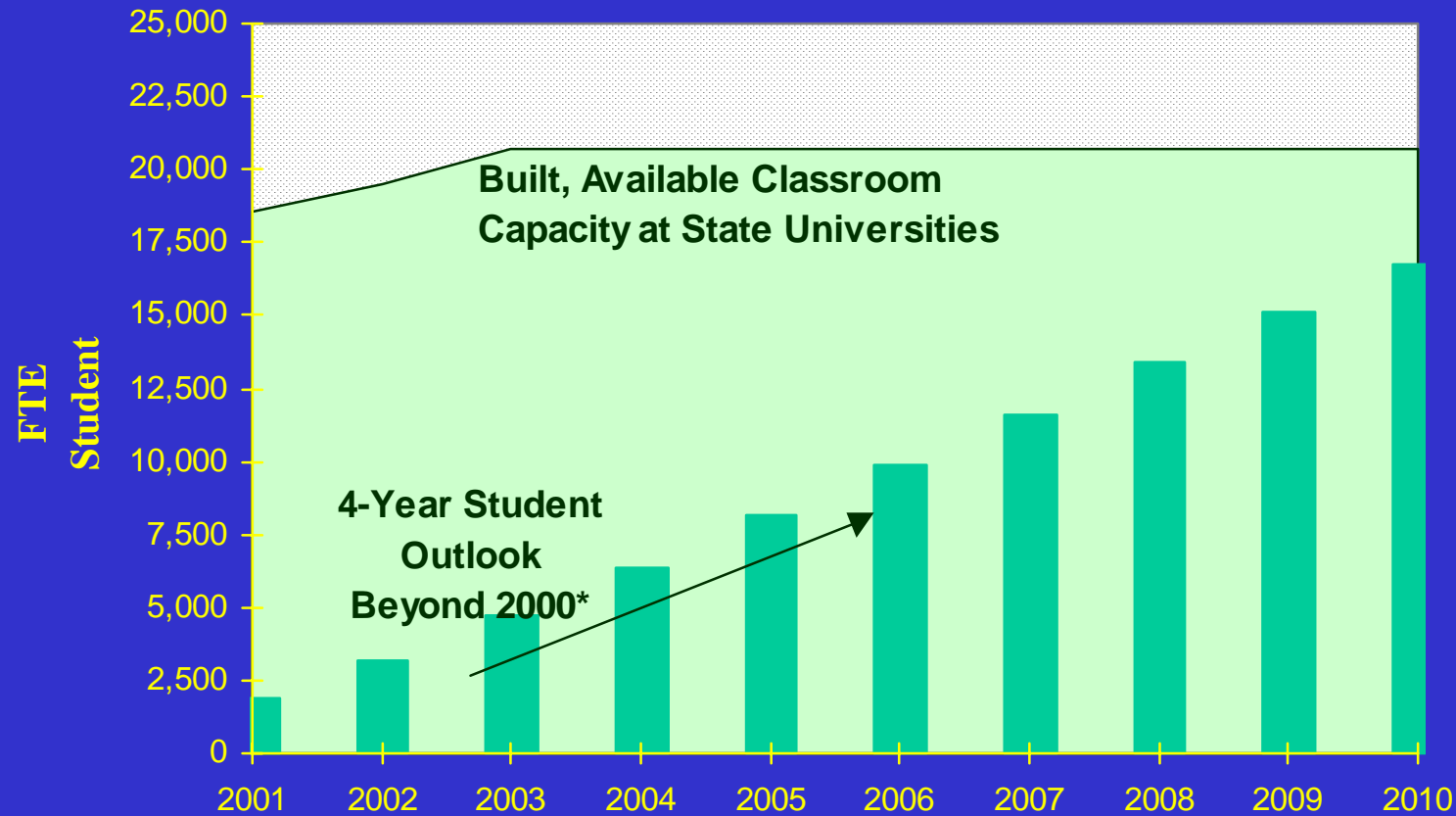
# Historically, the State has Paid for its Higher Education Building Program Primarily with State Bonds



# Building Branch Campuses has Pushed More Money into the Four-Year System



# Enrollment Fuels the Demand for Higher Education Capital Spending



\* OFM Forecast, Nov '00

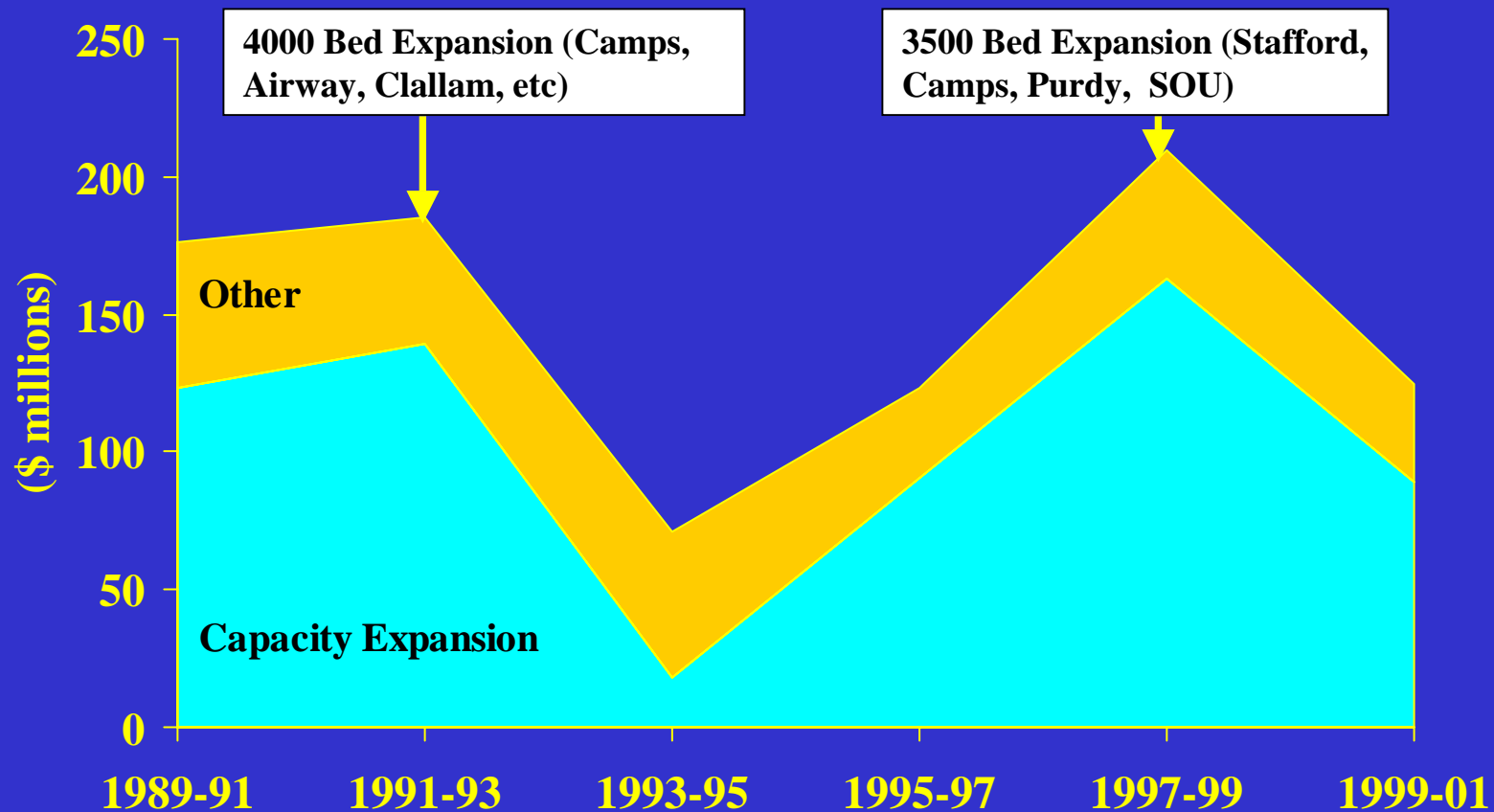
# Higher Education Capacity

- **Over two thirds of the surplus university capacity is east of the Cascades where fewer young adults presently seek to enroll.**
- **Teaching labs and faculty space is at a premium or will be in deficit soon given expected growth in student populations.**
- **Building systems are reaching the end of their planned life so major overhauls are upon us.**
- **None of this depicts the situation for 2-year colleges who are serving more students today than their facilities were built to accommodate.**

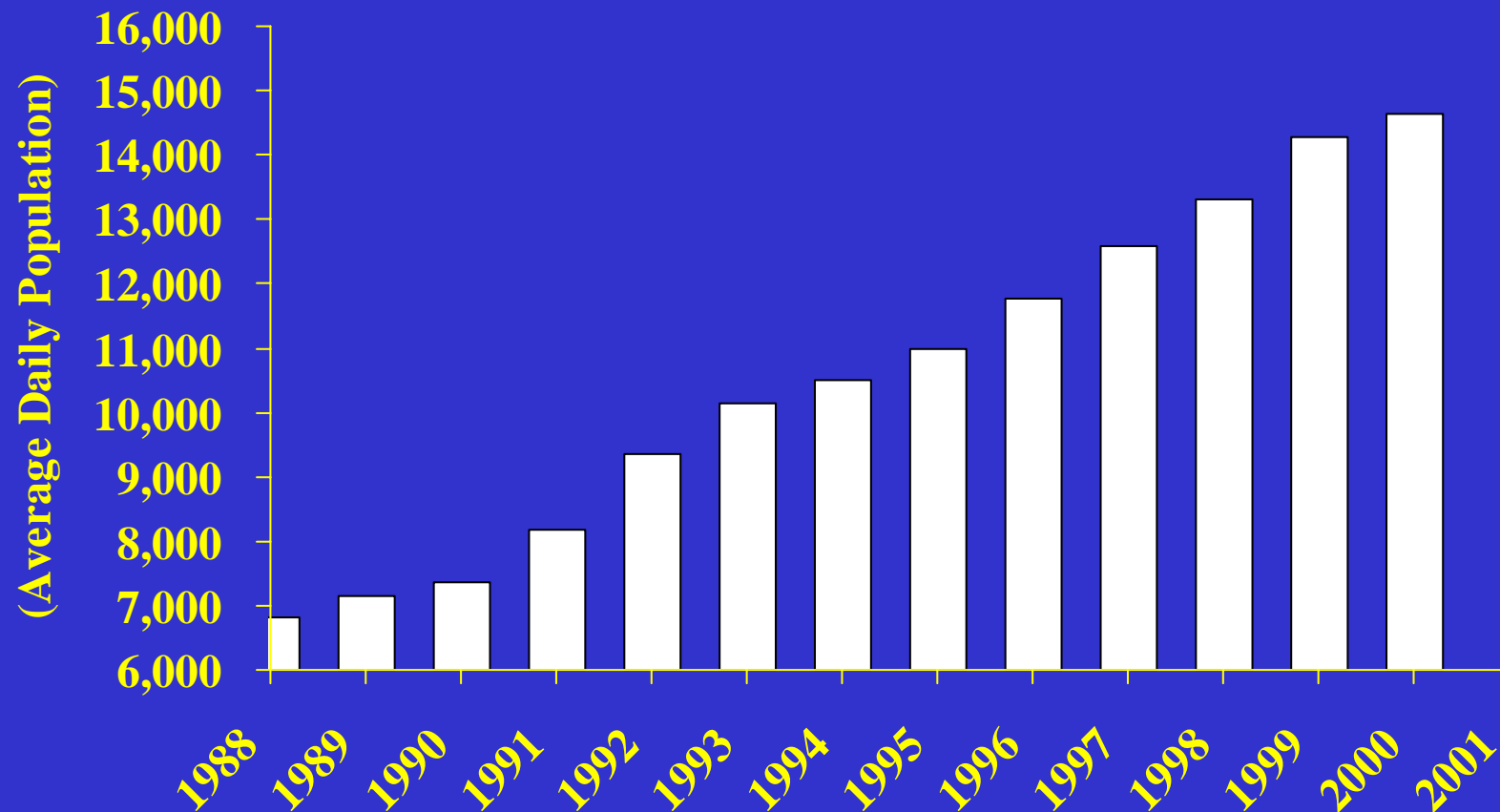
## **Other Drivers Influencing Higher Education Capital Budgets**

- **Degree Program Offerings**
- **Classroom Technologies**
- **Room Occupancy and Time in Use**
- **Facility and Campus Conditions**
- **Building System Life Cycles**

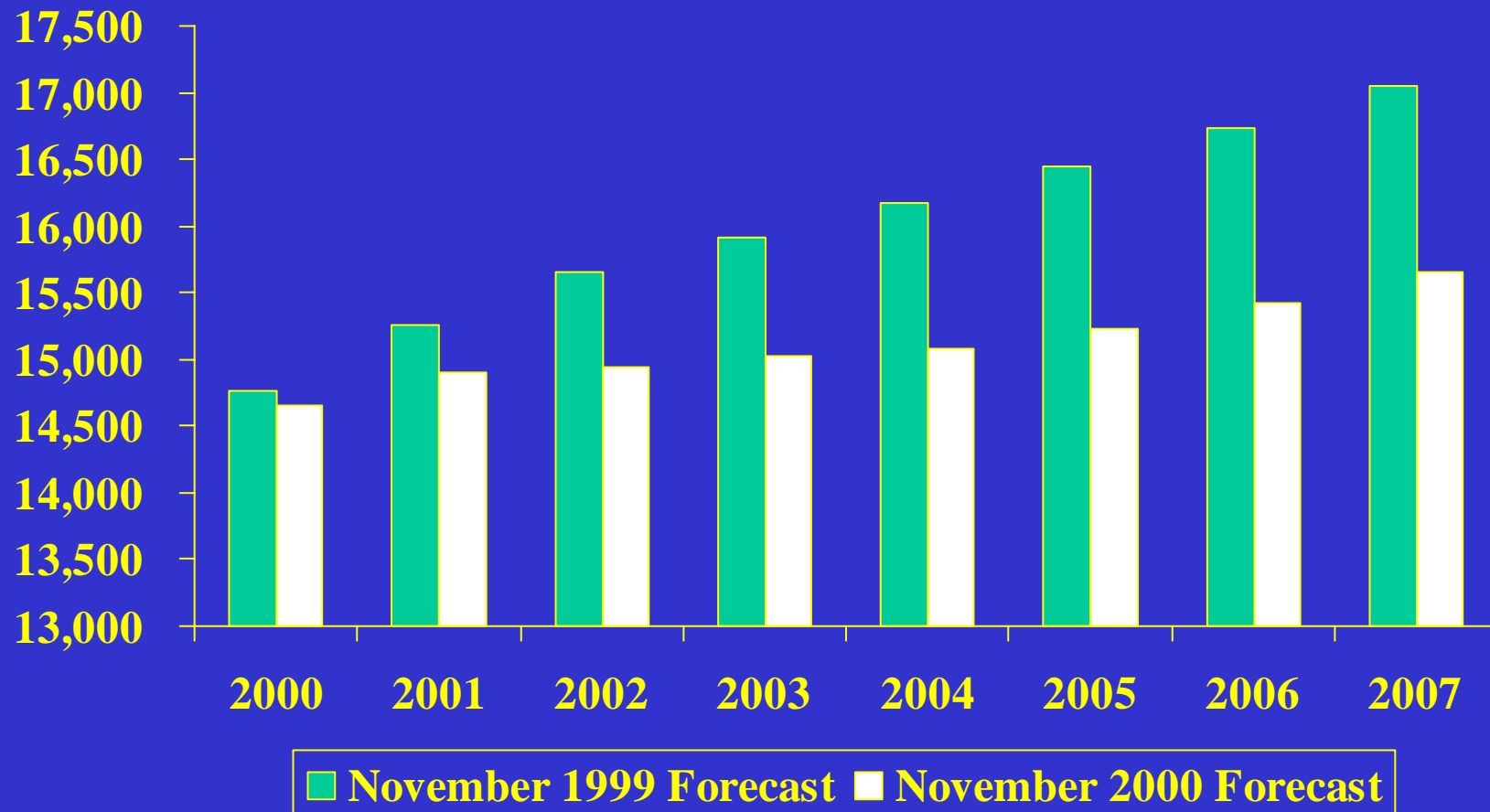
# Swings in Corrections Capital Spending are Related to Large Prison Projects



# The Primary Corrections Capital Budget Driver Is Increased Inmate Population



## The Most Recent Prison Inmate Population Forecast Has Decreased Significantly





# **Other Department of Corrections Capital Budget Drivers**

## **Preservation Projects**

- **Security Improvements**
- **Utility Upgrades**
- **Emergency Repairs**

## **Specialized Populations**

- **Different Custody Levels**
- **Mentally Ill Offenders**
- **Youthful Offenders**

## **Program Projects**

- **Correctional Industries Space**
- **Training Facilities**